

CLIMATE FINANCE: ISSUES FOR COP26



Jennifer Huang

Kaveh Guilanpour

Climate finance refers to the local, national, or transnational financing that supports mitigation and adaptation actions to address climate change. It can be drawn from public, private, and alternative sources of financing. In accordance with the principles of the UN Framework Convention on Climate Change (UNFCCC), developed country Parties are to provide financial resources to assist developing countries in implementing the objectives of the UNFCCC. The Convention and the Paris Agreement call for financial assistance from those Parties with more financial resources to those that are less endowed and more vulnerable to the impacts of climate change.

Climate finance will be a key determinant of success for COP26 in Glasgow, Scotland. There are many finance-related items that will impact COP26, including delivery of the US\$100 billion goal and the long-term finance (LTF) program, which was due to come to an end in 2020; as well as the initiation of deliberations on a new post-2025 climate finance goal.

This brief considers the following issues in relation to how they might be addressed at COP26:

- the long-term climate finance regime during the 2020–25 transition
- launching deliberations on the post-2025 finance goal.

CONTEXT

2020–25 TRANSITION PERIOD

Under the 2009 Copenhagen Accord, developed countries committed to jointly mobilize US\$100 billion a year by 2020. This will come from a variety of sources: public, private, bilateral, multilateral, and alternative sources of finance.¹ The commitment was formalized in the outcome of the 2010 Cancún COP and reaffirmed as a key element of the 2015 Paris Agreement.²

At COP17, Parties decided to undertake a work program on LTF to inform developed country Parties in their efforts to identify pathways for mobilizing the US\$100 billion per year by 2020, and to inform Parties in enhancing their enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance in developing countries.

At COP19, Parties formally launched the LTF program and agreed on three key activities that would inform Parties on developed countries' climate finance efforts for the period 2014 to 2020:

- biennial submissions by developed country Parties on their updated strategies and approaches for scaling up climate finance
- continued deliberations on long-term climate finance, through in-session workshops
- biennial high-level ministerial dialogues started in 2014.³

At COP21 in Paris, France, Parties extended the goal of jointly mobilizing US\$100 billion beyond 2020 through 2025 and urged developed country Parties to scale up their financial support with a “concrete road map” to achieve the goal of jointly providing US\$100 billion annually by 2020 for mitigation and adaptation, while significantly increasing adaptation finance from

current levels and to further provide appropriate technology and capacity-building support.⁴

With the LTF program due to end in 2020, the first Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA1) in 2018 built upon elements of the program in elaborating the financial information to be provided by Parties under Article 9.5 of the Paris Agreement. Parties set out post-2020 climate finance arrangements that include:

- biennial communications and their compilation and synthesis
- a dedicated online portal
- biennial in-session workshops
- biennial high-level ministerial dialogues.⁵

At COP25 in Madrid, Spain, Parties were unable to agree on whether and how the LTF program should continue post-2020 and whether to bring it under the CMA.⁶ The proposed decision, which was not adopted, would have invited Parties' views via submissions on the implementation of the goal of mobilizing US\$100 billion per year by 2020 and future of the LTF program.⁷

The lack of an agreed clear definition of "climate finance" has caused difficulties in assessing progress toward the US\$100 billion goal. Developed country Parties were generally considered to have made progress in raising their climate finance ambition prior to the COVID-19 pandemic. According to the most recent OECD progress report published in 2020, climate finance provided and mobilized by developed countries for climate action in developing countries reached US\$78 billion in 2018, and the Standing Committee on Finance (SCF) 2018 Biennial Assessment indicated that governments would be close to achieving the target by the end of 2020.⁸ The 2020 Report of the UN Secretary-General's Independent Expert Group on Climate Finance outlines the finance landscape during the pandemic and makes a series of recommendations on both meeting and surpassing the US\$100 billion target, getting more money to flow into the system, and mobilizing the financial system at large.⁹ Later this year, the SCF Fourth Biennial Assessment and Overview of Climate Finance Flows will map, for the first time, efforts to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.¹⁰

THE POST-2025 GOAL

At COP21, Parties decided that, prior to 2025, the CMA would set a new collective quantified goal from a floor of US\$100 billion per year, taking into account the needs and priorities of developing countries.¹¹

At CMA1 in Katowice, Poland, Parties agreed on two key mandates for CMA3 (originally planned for November 2020) to initiate deliberations on setting the new collective quantified post-2025 goal, "...from a floor of US\$100 billion per year in the context of meaningful mitigation actions and transparency of implementation and taking into account the needs and priorities of developing countries..." and agreed to consider "...the aim to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."¹²

The 2020–25 transition period and post-2025 goal will be discussed across three agenda items at COP26:

- the COP agenda item taking up long-term climate finance
- the CMA agenda item beginning its work under Article 9.5
- the CMA agenda item on deliberations on the post-2025 goal.

ISSUES TO BE DECIDED AT COP26

THE 2020–25 TRANSITION PERIOD

With the LTF program due to end in 2020, a key question is: what additional process, if any, is needed to oversee the delivery of the US\$100 billion in the 2020-2025 period?

While the arrangements under Article 9.5 implement most elements of the LTF program under the CMA (such as biennial communications and their compilation and synthesis, biennial in-session workshops, and biennial high-level ministerial dialogues), thought will need to be given as to whether anything additional needs to be put in place in order to monitor the continued delivery of the US\$100 billion goal.

Some options include:

- rely on arrangements agreed under Article 9.5

- extend the LTF program from 2020 to 2025
- add a new agenda item with a mandate to monitor the implementation of the US\$100 billion goal from 2020–25
- reframe the Article 9.3 high level dialogues to consider the US\$100 billion goal
- request the SCF to monitor the implementation of the US\$100 billion goal as part of its Biennial Assessment.

Extending the LTF program in its entirety would duplicate many of the processes under Article 9.5. Continuation of the long-term finance program under the SCF also raises the question of whether it would duplicate the SCF's work on Biennial Assessments.

THE POST-2025 GOAL

The mandate for the post-2025 goal has the following key elements:

- deliberations are to be initiated by CMA3 in Glasgow
- US\$100 billion floor
- mobilization from a wide variety of sources, instruments and channels, though a variety of actions
- taking into account the needs and priorities of developing country Parties per Article 9.3
- consideration of making finance flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development per Article 2.1(c).

Aside from this guidance, many aspects remain open.

As such, Glasgow could, whether in the form of a CMA decision, conclusions, or otherwise, as appropriate, give further guidance on a number of issues regarding further deliberations on the post-2025 goal beyond CMA3, such as:

- forum and process
- informing deliberations (what sources should inform deliberations?)
- how and when to engage the political level
- the structure and content of the goal
- the definition and tracking progress of financial flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development under Article 2.1(c).

Forum and Process

Key questions to consider on forum and process are:

- Where and how should deliberations be taken forward after COP26 and how should they be organized?
- What has to be agreed upon, if anything, in a formal CMA decision at COP26?

There are a number of options for the forum and process to undertake further deliberations on the post-2025 goal beyond Glasgow, including:

- continue consideration at CMA4 under the same agenda item
- create a dedicated Subsidiary Body on Implementation (SBI) agenda item
- create an ad hoc working group or work program under the CMA
- mandate the SCF to consider the issue
- agree to informal workshops
- agree on a timetable/roadmap.

There is a clear implication from the mandate for CMA3 to *initiate* deliberations, that those deliberations would be expected to continue after Glasgow. As to the process for those deliberations, unless decided otherwise, the default position would seem to be for the topic to be taken up again under the same agenda item at CMA4. Therefore, COP26 will need to provide guidance regarding if and how deliberations should take place in the intervening period between CMAs/COPs.

To provide for additional formal deliberation of the post-2025 goal between COPs, one option could be the creation of a dedicated SBI agenda item. This addition would allow for formal deliberation during the sessions of the Subsidiary Bodies in addition to the annual COPs. The same would be true if a specific ad hoc working group were created as the forum in which deliberations were to take place. Both options would require a CMA decision.

Another option could be to mandate the SCF to consider the post-2025 goal and report to the CMA. This would require a decision of the CMA. However, Parties may want to consider this in the context of whether Parties also request the SCF to monitor the implementation of the US\$100 billion goal as part of its Biennial Assessment under a COP decision.

The institution of an informal parallel process (such as workshops between sessions) would allow for more frequent deliberations.

Glasgow could also give guidance in the form of a timetable or roadmap for deliberations on the post-2025 goal, including key milestones, the sequencing of topics to be discussed, and by when deliberations need to conclude. Without guidance on the latter point, the default would seem to be that the goal would have to be agreed by the CMA in 2024 at the latest.

Glasgow could also give guidance as to the format or modalities of deliberations, as appropriate, such as the use of co-chairs or co-facilitators.

Both the initiation of an informal process and a timetable/roadmap could be set out in a CMA decision. Another option could be to do this in conclusions, although the UNFCCC Secretariat may require the formality of a decision in order to prepare inter-sessional workshops.

Informing Deliberations

Deliberations on the post-2025 goal could be informed by a number of sources/processes, including:

- the SCF's Biennial Assessments (expected in mid-2021)
- the SCF Needs Determination Report (expected in mid-2021)
- the enhanced transparency framework's review of information on financial support provided, needed, and received
- the process, if initiated, that will address the definition of, and tracking progress on, financial flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development under Article 2.1(c)
- other related UNFCCC processes and bodies, such as nationally determined contributions and the global stocktake.

CMA3 could give specific or general guidance on what information should be taken into consideration, could leave the issue open, or could defer a decision. Guidance could be in various forms, including in a decision or conclusion.

Political Guidance

Reaching agreement on the post-2025 goal will need engagement at both the political and technical level. Consideration of what process would allow both levels to most effectively engage at strategic moments could be useful.

In recent years, Parties have employed a mix of approaches to advance issues on both technical and political fronts. For example, the five years of work under the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) employed a combination of technical work and political inputs. Both decision 1/CP.16 (the Cancun Agreements) and decision 2/CP.17 (Outcome of the AWG-LCA) included a range of approaches, including work programs supported by workshops and expert meetings, and in-session workshops held in conjunction with formal sessions. In addition, Decision 1/CP.19 (Advancing the Durban Platform) called upon Parties to intensify their high-level engagement in the Durban Platform process through an in-session high-level ministerial dialogue held at the subsidiary body sessions and COP20.¹³ Paragraph 16 of Decision 1/CP.20 (Lima Call for Action) called for the technical examination of opportunities with high mitigation potential through in-session technical expert meetings.¹⁴

Glasgow could give guidance on aspects such as:

- what elements of deliberations would best be addressed at the technical and political levels
- when political guidance will be needed
- what modalities for the process by which political guidance would be given, including whether guidance should be formal and/or informal.

There are a number of options in relation to each of these, which will themselves depend on other considerations such as which forum technical deliberations will be taken up in.

For example, regarding forums for ministerial engagement, formal deliberations on the post-2025 goal could be a specific feature of the first of the biennial high level ministerial discussions. Another option would be to set up separate, dedicated high-level discussions to occur at each CMA.

If technical deliberations were mandated to occur under the SBI, ministers could be invited to give guidance

during the Subsidiary Bodies meetings.

Another possibility would be to have an informal ministerial process, perhaps under the initiative of the COP Presidency.

As to the modalities for formal and/or informal ministerial engagement and interaction with the technical level, there are a number of options:

- the COP Presidency could convene and chair ministerial meetings
- a minister or pairs of ministers could be asked to facilitate meetings or conduct consultations
- ministers could be asked to provide guidance to the technical level on specific issues.

Structure and Content of the Post-2025 Goal

The mandate for deliberations on the post-2025 goal give minimal guidance as to its structure, content, or substance. Glasgow could give further directions on aspects of the goal, such as should the goal:

- be a single figure target, like the US\$100 billion, but scaled up
- be disaggregated, for example, with sub-targets for mitigation, adaptation, public finance, private finance
- comprise a series of single-year targets
- be part of a cycle, such as another 5-year cycle
- set out a pathway with an intermediate goal(s) and a final goal?

Initiation of deliberations in Glasgow could consider and give guidance on these or other issues or defer them to be taken up subsequently.

In any event, deliberations on the post-2025 finance goal could provide an important opportunity to reflect on, and internalize, lessons learned from the US\$100 billion finance goal, the LTF program's efforts to assess progress towards it, and the processes established to manage its periodic consideration. In that context, deliberations ought to consider existing and new arrangements under the Paris Agreement, such as new reporting requirements and formats, forums for addressing climate finance, and arrangements for the global stocktake.

ENDNOTES

- 1 UN Framework Convention on Climate Change [hereinafter UNFCCC], Copenhagen Accord, Decision 2/CP.15, ¶ 8 (Mar. 30, 2010), <https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf#page=4>.
- 2 UNFCCC, The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, Decision 1/CP.16, ¶¶ 97-99 (Mar. 15, 2011); “Paris Agreement,” ¶¶ 53, 114, conclusion date: December 12, 2015, United Nations Treaty Series Online, registration no. I-54113, https://treaties.un.org/Pages/ViewDetails.aspx?src=IND&mtdsg_no=XXVII-7-d&chapter=27&clang=_en.
- 3 UNFCCC, Long-term Climate Finance, Decision 3/CP.19 (Jan. 31, 2014), <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=9>.
- 4 “Paris Agreement,” ¶¶ 53, 114.
- 5 UNFCCC, Identification of the Information to be Provided by Parties in Accordance with Article 9, paragraph 5, of the Paris Agreement, Decision 12/CMA.1 (Mar. 19, 2019), https://unfccc.int/sites/default/files/resource/cma2018_03a01E.pdf.
- 6 UNFCCC, Report of the Conference of the Parties on its Twenty-fifth Session, held in Madrid from 2 to 15 December 2019, FCCC/CP/2019/13, ¶¶72-75 (Mar. 16, 2020), https://unfccc.int/sites/default/files/resource/cp2019_13E.pdf.
- 7 UNFCCC, Draft Decision -/CP.25 (Matters Relating to Finance, Long-term Climate Finance), FCCC/CP/2019/L.8 (Dec. 15, 2019), https://unfccc.int/sites/default/files/resource/cp2019_L08E.pdf.
- 8 OECD, Climate Finance Provided and Mobilised by Developed Countries in 2013-18 (Paris, France: OECD Publishing, 2020), <https://doi.org/10.1787/f0773d55-en>; UNFCCC Standing Committee on Finance, 2018 Biennial Assessment and Overview of Climate Finance Flows: Technical Report (Bonn, Germany: UNFCCC, 2018), <https://unfccc.int/sites/default/files/resource/2018%20BA%20Technical%20Report%20Final%20Feb%202019.pdf>.
- 9 Independent Expert Group on Climate Finance, Delivering on the \$100 Billion Finance Commitment and Transforming Climate Finance (UN, 2020), https://www.un.org/sites/un2.un.org/files/100_billion_climate_finance_report.pdf.
- 10 See UNFCCC, “General outline of the technical report of the 2020 Biennial Assessment and Overview of Climate Finance Flows” (2020), https://unfccc.int/sites/default/files/resource/2020BA_draftoutline_final_clean.pdf.
- 11 “Paris Agreement,” ¶53.
- 12 UNFCCC, Setting a New Collective Quantified Goal on Finance in Accordance with Decision 1/CP.21, Paragraph 53, Decision 14/CMA.1 (Mar. 19, 2019), https://unfccc.int/sites/default/files/resource/CMA2018_03a02E.pdf (with reference to Article 2.1(c)).
- 13 Decision 2/CP.17; UNFCCC, Further Advancing the Durban Platform, Decision 1/CP.19 (Jan. 31, 2014), <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=3>.
- 14 UNFCCC, Lima Call for Climate Action, Decision 1/CP.20 (Feb. 2, 2015), <https://unfccc.int/resource/docs/2014/cop20/eng/10a01.pdf#page=2%22>.

Other C2ES Resources:

Transparency of Action: Issues for COP26, June 2021.

Outcomes of the UN Climate Change Conference in Madrid, December 2019.

A Brief Guide to the Paris Agreement and 'Rulebook,' June 2019.

Essential Elements of the Paris 'Rulebook,' November 2018.

Elaborating the Paris Agreement: Transparency of Finance, August 2018.



The Center for Climate and Energy Solutions (C2ES) is an independent, nonpartisan, nonprofit organization working to forge practical solutions to climate change. We advance strong policy and action to reduce greenhouse gas emissions, promote clean energy, and strengthen resilience to climate impacts.